

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Lexington</b>	County <b>Sanilac</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/4/05</b>	Date Accountant Report Submitted to State: <b>11/16/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

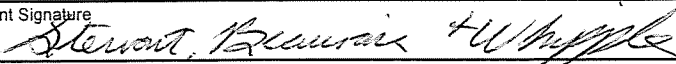
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations. <b>Report on Internal Control</b>	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Stewart, Beauvais &amp; Whipple PC</b>			
Street Address <b>1979 Holland Avenue</b>	City <b>Port Huron</b>	State <b>MI</b>	ZIP <b>48060</b>
Accountant Signature 			Date <b>11/16/05</b>

**VILLAGE OF LEXINGTON, MICHIGAN**

**ANNUAL FINANCIAL REPORT  
with Supplementary Information**

**FOR THE YEAR ENDED JUNE 30, 2005**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

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**JUNE 30, 2005**

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## INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the Village Council  
Village of Lexington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lexington, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Village of Lexington, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005, on our consideration of Village of Lexington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10, and schedules of budgetary comparisons on pages 41 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Lexington, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

August 4, 2005

## MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Village of Lexington's annual financial report presents the Village's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the Village's financial statements, which follows this section. This is the second year of implementation of GASB No.34 and comparative data is available unlike last year. It is included in this report when appropriate.

### FINANCIAL HIGHLIGHTS

- The auditors found no fundamental error or misrepresentation in their review of our financial records.
- The net cost of all the Village's governmental programs (all funds except for water, sewer, and Mobile Home Park) was \$891,122 with no new programs added this year.
- In the Village's combined business-type activities (sewer, water and MHP) revenues were \$1,369,427 (including investment income) and expenses were \$1,012,990 resulting in positive operating income of \$356,437. The decrease in net assets after contributions and transfers was \$6,328.
- The Village of Lexington's total debt decreased by \$246,237 or 4.8% during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – Management Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information (RSI), and an optional section that presents combining statements for non-major governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Village: Government-wide Financial Statements and Fund Financial Statements.

#### *Government-wide Financial Statements*

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies and provide long and short-term information. The Statement of Net Assets includes all of the governments' assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Village's net assets and how they have changed. Net assets defined as the difference between assets and liabilities is one way to measure the Village's financial health or position.

The government-wide financial statements of the Village are divided into three categories:

- Governmental activities (all activities except sewer, water, and MHP) – most of the Village’s basic services are included here, such as general administration, public safety, public works, and parks/recreation. Property taxes, fees, and state funds finance most of these activities.
- Business-type activities – activities where the Village charges fees to customers to help it cover the cost of services it provides; included here is the sewer, water and MHP Funds.
- Component unit – although separate, the Downtown Development Authority is important because the Village is financially accountable for them.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Village’s most significant funds; not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Village Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Village has two kinds of funds:

- Governmental funds - Most of the Village’s basic services are reported in governmental funds (all funds except water, sewer, and MHP) which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village’s general government operations and the basic services it provides. We describe the relationship (or differences) between governmental activities and governmental funds in reconciliation schedules (Statement of Net Assets and Statement of Activities) on pages 16 and 19.
- Proprietary funds - Services for which the Village charges customers a fee (water, sewer, MHP) are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Village’s *enterprise* funds (a type of proprietary fund) are the same as the business-type activities, but provide more detail and information.

## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's combined net assets are \$6,935,000 million. Our analysis below focuses on the net assets (Table 1) of the Village's governmental and business-type activities.

**Table 1**

**Net Assets of Governmental and Business-Type Activities**  
**(In Thousands)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u> <u>Government</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and Other Assets	\$ 1,224	\$ 1,302	\$ 285	\$ 237	\$ 1,509	\$ 1,539
Capital Assets	<u>434</u>	<u>589</u>	<u>10,115</u>	<u>9,912</u>	<u>10,549</u>	<u>10,501</u>
Total Assets	<u>1,658</u>	<u>1,891</u>	<u>10,400</u>	<u>10,149</u>	<u>12,058</u>	<u>12,040</u>
Long-Term Debt Outstanding	232	221	4,961	4,735	5,193	4,956
Other Liabilities	<u>76</u>	<u>73</u>	<u>94</u>	<u>76</u>	<u>170</u>	<u>149</u>
Total Liabilities	<u>308</u>	<u>294</u>	<u>5,055</u>	<u>4,811</u>	<u>5,363</u>	<u>5,105</u>
Net Assets: Invested in Capital Assets, net of debt	203	408	5,182	5,088	5,385	5,496
Restricted	13	8	25	11	38	19
Unrestricted	1,134	1,181	138	239	1,272	1,420
Total Net Assets	<u>\$ 1,350</u>	<u>\$ 1,597</u>	<u>\$ 5,345</u>	<u>\$ 5,338</u>	<u>\$ 6,695</u>	<u>\$ 6,935</u>

### *Governmental Activities*

Governmental activities for the Village include four major activities: General Government, Public Safety, Public Works and Parks/Recreation. General Government includes the Legislative, Administrative, and Clerk departments. Public Safety includes the Police and Fire departments. Public Works includes primarily the Department of Public Works and building and maintenance of the major and local roads. The Village Parks and Recreation department comprise the Parks/Recreation activity.

The largest revenue for governmental activities is the general operating property tax. The taxable value of property in the Village was \$40,706,224 in FY 2004. In FY 2005, it was \$43,336,260 for an increased growth of \$2,630,036 or 6 %. This resulted in a net government collection of \$21,852. Although the Village experienced reasonable growth this year, Proposal A's implementing legislation combined with the Headlee roll back continues to substantially restrict full realization of that growth going back to 1995.



State shared revenue increased from \$85,500 in FY 2004 to \$89,102 in FY 2005 or 4 %. The State of Michigan collects sales tax and redistributes a portion of these collections to local jurisdictions. State Revenue Sharing is a major source of revenue for the Village. It is somewhat volatile since it fluctuates with the economy and the Legislature's appropriation.

To assist in maintenance and repair of the road system, the Village receives Michigan Transportation Fund money that accounted for \$70,363 listed under program revenues. This money varies from year to year based on state revenues at the gasoline pumps.

Table 2 below presents the cost of each of the Village programs; general government, public safety, public works, and parks/recreation, and each program's net cost (after reimbursements from other funds). The net cost shows the financial burden that was placed on the Village's general fund (primary from property tax, fees, and State shared revenue) by each of these functions.

**Table 2**

	<u>Governmental Activities</u>		<u>Governmental Activities</u>	
	<u>2004</u>		<u>2005</u>	
	<u>Total cost</u>	<u>Net cost</u>	<u>Total cost</u>	<u>Net cost</u>
	<u>of services</u>	<u>of services</u>	<u>of services</u>	<u>of services</u>
General Government	158,380	115,668	127,604	98,831
Public Safety	361,061	287,637	364,185	228,054
Public Works	149,353	(7,664)	208,845	61,538
Parks/Recreation	61,852	35,445	16,842	11,528
All others	132,068	132,068	163,990	163,990
Interest	<u>10,505</u>	<u>10,505</u>	<u>9,656</u>	<u>9,656</u>
<b>Totals</b>	<u>\$ 873,219</u>	<u>\$ 573,659</u>	<u>\$ 891,122</u>	<u>\$ 568,597</u>

### *Business-type Activities*

The Village has three business-type activities: water, sewer and MHP. Revenues of these activities (see Table 3) increased by \$42,075 or 3 %, and expenses decreased by \$52,053 or 4.9 %. The Village experienced a net asset decrease of \$6,328.

**Table 3**  
**Changes in Net Assets of Business-type Activities**

	<u>2004</u>	<u>2005</u>
<u>Revenues:</u>		
Charges for Services	\$ 1,310,943	\$ 1,340,722
Other	<u>16,409</u>	<u>28,705</u>
Total Revenues	1,327,352	1,369,427
<u>Expenses:</u>		
Water, Sewer, MHP	<u>1,065,043</u>	<u>1,012,990</u>
Operating Income	262,309	356,437
Non-operating revenue and Capital Cont.	127,035	(262,765)
Transfers	( <u>100,672</u> )	( <u>100,000</u> )
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 288,672</u>	<u>\$ ( 6,328 )</u>

### **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

As the Village completed the year, its general governmental fund (as presented in the balance sheet on page 14) reported a combined fund balance of \$1,230,115. \$260,519 was from the General Fund.

#### *General Fund Budgetary Highlights*

There were minor amendments by the Village Council to the original budget passed in June 2004. Even though the budget is passed by the Village Council prior to the beginning of the fiscal year, all expenditures are reviewed and approved as they occur throughout the year. During the budget process the Council discusses major projects proposed for the upcoming year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of FY 2005, the Village had a book value of \$10,501,244 invested in a broad range of capital assets, including police, fire and DPW equipment, buildings, park facilities, roads, and water and sewer lines. Refer to Table 4 below for a schedule showing the Capital Assets at year-end for years ending 6-30-04 and 6-30-05 reporting Governmental and the Business-type activities. There is also a total column for the Total Primary Government for each year.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Land and land improvements	\$ 28,006	\$ 28,006	\$ 2,646,071	\$ 2,662,143	\$ 2,674,077	\$ 2,690,149
Construction-in-progress	-	-	13,980	122,101	13,980	122,101
Buildings & Improvements	346,026	346,026	49,889	49,889	395,915	395,915
Machinery & Equipment	57,452	186,734	150,397	150,397	207,849	337,131
Vehicles	442,415	440,694	-	-	442,415	440,694
Improvements other than Bldg	114,048	183,386	-	-	114,048	183,386
Water & Sewer systems	-	-	9,816,545	9,812,812	9,816,545	9,812,812
Total Capital Assets	\$ 987,947	\$1,184,846	\$12,676,882	\$12,797,342	\$13,664,829	\$13,982,188
Total Accumulated Depreciation	<u>553,554</u>	<u>595,658</u>	<u>2,562,324</u>	<u>2,885,286</u>	<u>3,115,878</u>	<u>3,480,944</u>
Total Capital Assets, Net	<u>\$ 434,393</u>	<u>\$589,188</u>	<u>\$10,114,558</u>	<u>\$ 9,912,056</u>	<u>\$ 10,548,951</u>	<u>\$10,501,244</u>

This year's major additions included:

Park and Recreation Equipment and Capital Improvements	\$ 23,590
New Sidewalks	29,373
Office Equipment	6,380
DPW Dump Truck	50,500
DPW Equipment	2,400
Fire Department - Equipment	87,185

## Debt

At year-end, the Village had \$4,883,476 in bonds and notes outstanding versus \$5,129,713 last year, a decrease of 4.8 % percent as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-end**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Debt (paid by the Village)	\$ 197,000	\$ 181,600	\$ 831,409	\$ 760,409	\$ 1,028,409	\$942,009
Debt (paid by specific fee revenues)	<u>0</u>	<u>0</u>	<u>4,101,304</u>	<u>3,941,467</u>	<u>4,101,304</u>	<u>3,941,467</u>
Totals	<u>\$ 197,000</u>	<u>\$ 181,600</u>	<u>\$4,932,713</u>	<u>\$4,701,876</u>	<u>\$ 5,129,713</u>	<u>\$4,883,476</u>

More detailed information about the Village's long-term liabilities is presented in Note 8 of Notes to Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Village of Lexington, population 1,104 (2000 census), is primarily a resort community located in Sanilac County, Michigan. The Village's proximity to the Detroit metropolitan area and several major roadways, including Interstate Highway 94, has helped spur recent residential development. The reported median income level for Lexington is currently \$30,792 (2000 census). New residential and commercial property development is expected over the next few years that will be beneficial to the community as a whole.

In FY 2005, the general fund posted a surplus of \$7,336. The current unreserved fund balance for the general fund is \$215,879. The Village, which relies heavily on property taxes (49.2% of total revenues governmental fund), operated at the state-authorized tax rate limit after application of Proposal A and Headlee.

The Village has also adopted a balanced budget for FY 2005. The Village's elected and appointed officials considered many factors when setting the 2005 budget including tax rates, and fees that will be charged for the Village's activities. The General Fund is balanced with revenues and expenditures budgeted at \$1,082,010. The revenue from property taxes was budgeted at \$311,212 or about the same as last year's collection. State Revenue Sharing was budgeted at \$83,579. The Village has added no new major programs to the FY 2005 budget and will apply for grants whenever possible to assist in the cost of any major projects.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David A. Thayer, Village Manager, by mail at 7227 Huron Avenue, Suite 100, Lexington, MI 48450, phone 810-359-8631, by fax 810-359-5622, or email: [villagelexington@aol.com](mailto:villagelexington@aol.com).

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF NET ASSETS JUNE 30, 2005

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 995,700	\$ 238,651	\$ 1,234,351	\$ 171,315
Investments	18,800	-	18,800	-
Receivables (net of allowance)	54,703	138,840	193,543	-
Prepaid expenditures	37,497	54,908	92,405	-
Internal balances	195,287	( 195,287)	-	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	28,006	139,596	167,602	-
Assets being depreciated	561,182	9,772,460	10,333,642	-
Total Assets	<u>1,891,175</u>	<u>10,149,168</u>	<u>12,040,343</u>	<u>171,315</u>
<b>LIABILITIES:</b>				
Payables and accrued liabilities	71,872	7,450	79,322	2,910
Accrued interest	1,140	38,049	39,189	-
Advances and deposits	-	30,625	30,625	-
Due to other governmental units -				
Local	-	-	-	-
Non-current liabilities				
Due within one year	17,400	231,837	249,237	-
Due in more than one year	203,575	4,503,184	4,706,759	-
Total Liabilities	<u>293,987</u>	<u>4,811,145</u>	<u>5,105,132</u>	<u>2,910</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related liabilities	407,588	5,088,079	5,495,667	-
Net Assets				
Restricted	837,609	10,921	848,530	-
Unrestricted	351,991	239,023	591,014	168,405
Total Net Assets	<u>\$ 1,597,188</u>	<u>\$ 5,338,023</u>	<u>\$ 6,935,211</u>	<u>\$ 168,405</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	127,604	33,773	-	-
Public Safety	364,185	61,614	-	74,516
Public Works	208,845	76,944	70,363	-
Recreation and Culture	16,842	5,314	-	-
Other Activities	163,990	-	-	-
Interest on Long-Term debt	9,656	-	-	-
Total governmental activities	<u>891,122</u>	<u>177,645</u>	<u>70,363</u>	<u>74,516</u>
Business type activities				
Sewer	156,317	203,642	-	-
Water	559,922	446,048	-	-
Mobile Home Park	296,751	733,133	-	-
Interest on Long Term Debt	194,692	-	-	-
Total business type activities	<u>1,207,682</u>	<u>1,382,823</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>2,098,804</u></u>	<u><u>1,560,468</u></u>	<u><u>70,363</u></u>	<u><u>74,516</u></u>
<b>Component Units</b>				
Downtown Development Authority	<u>59,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u><u>59,082</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

General revenues:  
Property taxes  
Grants and contributions not  
restricted to specific programs  
Unrestricted investment income  
Transfers  
Transfers-land use fee  
Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustment

Net assets at beginning of year as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.



Net (Expense) Revenue and Change in Net Assets

Primary Government			Component Unit (DDA)
Governmental Activities	Business Type Activities	Total	
( 93,831)	-	( 93,831)	-
( 228,055)	-	( 228,055)	-
( 61,538)	-	( 61,538)	-
( 11,528)	-	( 11,528)	-
( 163,990)	-	( 163,990)	-
( 9,656)	-	( 9,656)	-
( 568,598)	-	( 568,598)	-
-	47,325	47,325	-
-	( 113,874)	( 113,874)	-
-	436,382	436,382	-
-	( 194,692)	( 194,692)	-
-	175,141	175,141	-
( 568,598)	175,141	( 393,457)	-
-	-	-	( 59,082)
-	-	-	( 59,082)
521,271	14,114	535,385	106,122
87,515	-	87,515	-
25,258	4,417	29,675	2,178
117,142	( 100,000)	17,142	( 17,142)
100,000	( 100,000)	-	-
851,186	( 181,469)	669,717	91,158
282,588	( 6,328)	276,260	32,076
1,350,518	5,344,351	6,694,869	136,329
( 35,918)	-	-	-
1,314,600	5,344,351	6,694,869	136,329
\$ 1,597,188	\$ 5,338,023	\$ 6,971,129	\$ 168,405

# VILLAGE OF LEXINGTON, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2005

	<u>General</u>	<u>Municipal Street</u>	<u>Capital Equipment</u>
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 129,373	\$ 224,332	\$ 49,024
Investments	-	-	-
Receivables -			
Utilities	6,188	-	-
Accounts	9,953	-	-
Due from other governmental units -			
State	26,941	-	-
Due from other funds	118,287	-	-
Prepaid expenditures	36,951	164	-
	<u>327,693</u>	<u>224,496</u>	<u>49,024</u>
Total Assets	<u>\$ 327,693</u>	<u>\$ 224,496</u>	<u>\$ 49,024</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 60,643	\$ -	\$ -
Accrued liabilities	6,531	-	-
Due to other funds	-	-	-
	<u>67,174</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>67,174</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Reserved -	44,640	164	-
Unreserved -			
Undesignated -			
General Fund	215,879		
Special Revenue Funds	-	224,332	49,024
Total Equity	<u>260,519</u>	<u>224,496</u>	<u>49,024</u>
Total Liabilities and Fund Equity	<u>\$ 327,693</u>	<u>\$ 224,496</u>	<u>\$ 49,024</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental	Total Governmental
<u>Funds</u>	<u>Funds</u>
\$ 592,971	\$ 995,700
18,800	18,800
-	6,188
239	10,192
11,382	38,323
77,788	196,075
382	37,497
<u>\$ 701,562</u>	<u>\$ 1,302,775</u>
\$ 4,513	\$ 65,156
185	6,716
788	788
<u>5,486</u>	<u>72,660</u>
382	45,186
-	215,879
695,694	969,050
<u>696,076</u>	<u>1,230,115</u>
<u>\$ 701,562</u>	<u>\$ 1,302,775</u>

**VILLAGE OF LEXINGTON, MICHIGAN**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

Fund Balances - total governmental funds	\$	1,230,115
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Capital assets		1,184,846
Accumulated depreciation	(	595,658)

Long - term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Notes payable	(	181,600)	
Accrued compensated absence	(	39,375)	
Accrued interest	(	1,140)	( 222,115)

Net Assets of governmental activities	\$	<u>1,597,188</u>
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The notes to the financial statements are an integral part of this statement.

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	General	Municipal Street	Capital Equipment
<b>Revenues:</b>			
Taxes	\$ 304,016	\$ 119,520	\$ -
Intergovernmental -			
State	89,102	-	-
Fire Equipment Grant	-	-	74,516
Charges for services	230,449	-	-
Fines and forfeits	3,033	-	-
Interest and rent	11,433	3,796	535
Other	30,287	-	-
Total Revenues	<u>668,320</u>	<u>123,316</u>	<u>75,051</u>
<b>Expenditures:</b>			
Current -			
General Government	97,873	-	893
Public Safety	335,618	-	82,795
Public Works	34,434	8,939	60,256
Recreation and Cultural	20,983	-	-
Other	163,990	-	-
Debt Service			
Principal	15,400	-	-
Interest	9,798	-	-
Total Expenditures	<u>678,096</u>	<u>8,939</u>	<u>143,944</u>
Excess of revenues over (under) expenditures	<u>( 9,776)</u>	<u>114,377</u>	<u>( 68,893)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	100,000
Transfers out	-	-	-
Transfers from component unit	17,142	-	-
Total Other Financing Sources (Uses)	<u>17,142</u>	<u>-</u>	<u>100,000</u>
Net change in Fund Balance	<u>7,366</u>	<u>114,377</u>	<u>31,107</u>
Fund Balances at beginning of year	238,815	110,119	17,917
Prior period adjustments	<u>14,338</u>	<u>-</u>	<u>-</u>
Fund Balances at beginning of year as restated	<u>253,153</u>	<u>110,119</u>	<u>17,917</u>
Fund Balances at end of year	<u><u>\$ 260,519</u></u>	<u><u>\$ 224,496</u></u>	<u><u>\$ 49,024</u></u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 97,735	\$ 521,271
70,363	159,465
-	74,516
11,500	241,949
-	3,033
9,494	25,258
3,187	33,474
<u>192,279</u>	<u>1,058,966</u>
34,848	133,614
-	418,413
193,226	296,855
-	20,983
-	163,990
-	15,400
-	9,798
<u>228,074</u>	<u>1,059,053</u>
<u>( 35,795)</u>	<u>( 87)</u>
11,714	111,714
( 11,714)	( 11,714)
-	17,142
<u>-</u>	<u>117,142</u>
<u>( 35,795)</u>	<u>117,055</u>
782,127	1,148,978
<u>( 50,256)</u>	<u>( 35,918)</u>
<u>731,871</u>	<u>1,113,060</u>
<u>\$ 696,076</u>	<u>\$ 1,230,115</u>

## VILLAGE OF LEXINGTON, MICHIGAN

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	117,055
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		229,397
Depreciation expense	(	72,204)
Loss on disposal of capital asset	(	2,398)

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.

Principal payments on long term liabilities	15,400	
Decrease in accrued interest	142	
Increase in accrued compensated absences	( 4,804)	10,738

Change in net assets of governmental activities	\$	<u>282,588</u>
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The notes to the financial statements are an integral part of this statement.

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

JUNE 30, 2005

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Mobile Home Park	Total
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 32,735	\$( 32,038)	\$ 237,954	\$ 238,651
Accounts receivable	27,564	57,895	53,381	138,840
Due from other funds	160,556	-	6,000	166,556
Prepaid expenses	448	51,680	2,780	54,908
Total Current Assets	<u>221,303</u>	<u>77,537</u>	<u>300,115</u>	<u>598,955</u>
<b>Property, Plant and Equipment:</b>				
Property, plant and equipment	1,361,010	8,616,283	2,697,948	12,675,241
Less - accumulated depreciation	( 690,573)	( 1,645,581)	( 549,132)	( 2,885,286)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>670,437</u>	<u>6,970,702</u>	<u>2,148,816</u>	<u>9,789,955</u>
Construction in progress	<u>122,101</u>	<u>-</u>	<u>-</u>	<u>122,101</u>
Total Assets	<u>1,013,841</u>	<u>7,048,239</u>	<u>2,448,931</u>	<u>10,511,011</u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	48	4,183	318	4,549
Accrued expenses	-	2,236	665	2,901
Accrued interest	3,162	16,763	18,124	38,049
Bonds payable (current portion)	-	60,000	50,000	110,000
Notes payable (current portion)	18,199	43,287	60,351	121,837
Due to other funds	-	361,843	-	361,843
Deposits payable	-	900	29,725	30,625
Total Current Liabilities	<u>21,409</u>	<u>489,212</u>	<u>159,183</u>	<u>669,804</u>
<b>Long-Term Liabilities (less current portions):</b>				
Accrued vacation and sick pay	-	26,266	6,879	33,145
Bonds payable (net of current portion)	-	1,675,000	615,000	2,290,000
Notes payable (net of current portion)	<u>418,459</u>	<u>735,621</u>	<u>1,025,959</u>	<u>2,180,039</u>
Total Long-Term Liabilities	<u>418,459</u>	<u>2,436,887</u>	<u>1,647,838</u>	<u>4,503,184</u>
Total Liabilities	<u>439,868</u>	<u>2,926,099</u>	<u>1,807,021</u>	<u>5,172,988</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net	233,779	4,456,794	397,506	5,088,079
Restricted	10,921	-	-	10,921
Unrestricted -				
Designated	-	23,169	-	23,169
Undesignated	<u>329,273</u>	<u>( 334,654)</u>	<u>244,404</u>	<u>239,023</u>
Total Net Assets	<u>\$ 573,973</u>	<u>\$ 4,122,140</u>	<u>\$ 641,910</u>	<u>\$ 5,338,023</u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Mobile Home Park	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 197,921	\$ 419,216	\$ 723,585	\$ 1,340,722
Other	1,272	17,885	9,548	28,705
Total Operating Revenues	<u>199,193</u>	<u>437,101</u>	<u>733,133</u>	<u>1,369,427</u>
<b>Operating Expenses:</b>				
Salaries	46,370	132,208	43,503	222,081
Fringe benefits	4,573	53,663	14,463	72,699
Administrative fees	26,121	42,116	62,294	130,531
Professional fees	3,464	4,343	711	8,518
Contracted services	6,931	4,989	11,621	23,541
Insurance	480	13,770	178	14,428
Repairs and maintenance	603	9,994	630	11,227
Equipment rental	13,284	6,452	150	19,886
Supplies	938	26,192	3,704	30,834
Utilities	18,689	29,783	59,020	107,492
Rubbish expenditures	-	-	19,320	19,320
Mobile home park taxes	-	-	6,175	6,175
Miscellaneous	3,508	9,160	6,095	18,763
Depreciation	31,356	227,252	68,887	327,495
Total Operating Expenses	<u>156,317</u>	<u>559,922</u>	<u>296,751</u>	<u>1,012,990</u>
Operating Income (Loss)	<u>42,876</u>	<u>( 122,821)</u>	<u>436,382</u>	<u>356,437</u>
<b>Non-Operating Revenues:</b>				
Interest income	1,293	243	2,881	4,417
Interest expense	( 19,007)	( 81,375)	( 94,310)	( 194,692)
Tap-in fees	-	4,500	-	4,500
Meter charge	4,449	4,447	-	8,896
Land use fee	-	-	( 100,000)	( 100,000)
Property taxes	-	14,114	-	14,114
Total Non-Operating Revenues	<u>( 13,265)</u>	<u>( 58,071)</u>	<u>( 191,429)</u>	<u>( 262,765)</u>
Net Income (Loss) Before Transfers	29,611	( 180,892)	244,953	93,672
<b>Transfers:</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>( 100,000)</u>	<u>( 100,000)</u>
Net Income (Loss)	29,611	( 180,892)	144,953	( 6,328)
Net Assets at beginning of year	<u>544,362</u>	<u>4,303,032</u>	<u>496,957</u>	<u>5,344,351</u>
Net Assets end of year	<u>\$ 573,973</u>	<u>\$ 4,122,140</u>	<u>\$ 641,910</u>	<u>\$ 5,338,023</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Mobile Home Park	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers	\$ 203,256	\$ 428,927	\$ 709,637	\$ 1,341,820
Cash payments to suppliers	( 79,284)	( 140,396)	( 180,362)	( 400,042)
Cash payments to employees	( 50,943)	( 184,278)	( 57,949)	( 293,170)
Net Cash Provided by Operating Activities	<u>73,029</u>	<u>104,253</u>	<u>471,326</u>	<u>648,608</u>
<b>Cash Flows From Non-capital Financing Activities:</b>				
Land use fee	-	-	( 100,000)	( 100,000)
Transfers from/to other funds	-	-	( 100,000)	( 100,000)
Net Cash Used from Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>( 200,000)</u>	<u>( 200,000)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Principle payments	( 18,310)	( 102,176)	( 110,351)	( 230,837)
Interest payments	( 19,138)	( 82,058)	( 95,419)	( 196,615)
Note proceeds	-	-	-	-
Property taxes	-	14,114	-	14,114
Tap-in fees	-	4,500	-	4,500
Meter charge	4,449	4,447	-	8,896
Acquisition and construction of capital assets	( 108,122)	-	( 16,872)	( 124,994)
Net Cash Used by Capital and Related Financing Activities	<u>( 141,121)</u>	<u>( 161,173)</u>	<u>( 222,642)</u>	<u>( 524,936)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest earned	1,293	243	2,881	4,417
Net Cash Provided by Investing Activities	<u>1,293</u>	<u>243</u>	<u>2,881</u>	<u>4,417</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	( 66,799)	( 56,677)	51,565	( 71,911)
Cash and Cash Equivalents at Beginning of Year	<u>99,534</u>	<u>24,639</u>	<u>186,389</u>	<u>310,562</u>
Cash and Cash Equivalents at End of Year	<u>\$ 32,735</u>	<u>\$( 32,038)</u>	<u>\$ 237,954</u>	<u>\$ 238,651</u>
<b>Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss) for the year	\$ 42,876	\$( 122,821)	\$ 436,382	\$ 356,437
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	31,356	227,252	68,887	327,495
Change in assets and liabilities:				
Receivable	4,063	( 8,174)	( 23,496)	( 27,607)
Due from other funds	( 4,324)	-	-	( 4,324)
Prepays and deposits	( 86)	2,410	( 51)	2,273
Inventory	1,015	4,801	-	5,816
Accounts payable/accrued expenses	( 1,871)	635	( 4,293)	( 5,529)
Due to other funds	-	-	-	-
Deposits	-	150	( 6,103)	( 5,953)
Net Cash Provided By Operating Activities	<u>\$ 73,029</u>	<u>\$ 104,253</u>	<u>\$ 471,326</u>	<u>\$ 648,608</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity -**

The Village of Lexington, Michigan, was incorporated as a General Law Village in 1855, under provisions of the constitution and general law of the State of Michigan, with its Charter provided by Act 3 of 1895. The Village is located in Sanilac County. The Village operates under an elected Village Council, which consists of the President and six Council members, with the daily activities operated by the Village Manager, Clerk and Treasurer. The Village provides services to its more than 1,104 residents in many areas including law enforcement, water, sewer, cemetery and parks and recreation.

These financial statements present the Village and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

**DISCRETELY PRESENTED COMPONENT UNIT -**

**DOWNTOWN DEVELOPMENT AUTHORITY (DDA)-** The DDA is controlled by a nine member Council, who are appointed by the Village Council. The DDA is responsible for the creation of a development and financing plan for the Downtown district or a development area within the district to promote economic growth. The DDA must obtain Village Council approval of all development and financial plans. The annual operating budget and any modification also requires the approval of the Village Council.

The Downtown Development Authority was included in the scope of the audit of the basic financial statements. Separate audited financial statements for this component unit were not issued.

**JOINTLY GOVERNED ORGANIZATION -**

**VILLAGE OF LEXINGTON BUILDING AUTHORITY -** The Authority was created in 1979 to facilitate the financing, construction and operation of a municipal building for the use of both the Village and the Township of Lexington. The Authority operates under a board of commissioners consisting of 3 members appointed by the Village Council. Financing of the Authority, to include debt retirement and operational expenses consists of the Village contributing 80% and the Township 20%. The transactions of the Building Authority are subject to a separate audit and are not included in this report.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**B. Government-wide and fund financial statements -**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied and due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities, thus agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues available if they are normally collected within 60 days after the year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on September 14, are recognized as revenue in the year due. Also, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

**General Fund** - is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

**Sewer Fund** - is used to account for the operations that provide sanitary sewer service to the Village residents.

**Water Fund** - is used to account for the operations that provide water to both Village residents and the Lexington-Worth Townships Utility Authority.

**Mobile Home Park Fund** - is used to account for the operations of a mobile home park owned by the Village.

Additionally, the government reports the following fund type:

**Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise Funds are charges to customers for sale, rent and services. Operating expenses for Enterprise Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity -**

**Deposits and Investments -**

The Village maintains a common checking account for its operation funds. Each participating fund reports its share separately.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, certificates of deposit with original maturities of three months or less from the date of acquisition and financial institution pooled funds. The financial institution pool funds have the general characteristics of demand deposit accounts in that the Village may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

**Receivables and Payables -**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

**Inventories and Prepaid Items -**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Property Tax Calendar -**

The Village's property tax is levied each July 1 on the taxable value of property located in the Village as of the preceding December, as adjusted by the March and July Board of Reviews. Taxes are collected through September 14.

**Capital Assets -**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives.

<u>Primary Government -</u>	<u>Years</u>
Building/improvements	40
Utility Systems	40
Road Systems/Other	
Infrastructure	8-25
Equipment	25

**Compensated Absences -**

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Long-Term Obligations -**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Budgetary Information -**

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

The Village Manager and Finance Committee prepare the proposed operating budgets for the year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.



**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: - (cont'd):**

Prior to June 30, the proposed budgets are presented to the Village Council. The Council holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Village Council Resolution.

The approved budgets of the Village were adopted for the General and Special Revenue Funds at the function level. These are the enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the legally adopted levels of the budget. State statutes do not require legally adopted budgets for debt service or capital projects funds.

Budgets are maintained throughout the year at the account level, to provide additional control in preventing over-expenditures at the legally adopted levels. Amendments at the function level for the General and Special Revenue Funds must be approved by the Village Council.

The Village does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year end.

Budget amounts are reported as originally adopted and as final amended by the Village Council, during the year.

**Unrestricted Net Assets Deficit -**

The Water Fund had an unrestricted net assets deficit of \$334,654 at June 30, 2005.

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

As of June 30, 2005, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash on Hand –			
Petty Cash	\$ 400	\$ -	\$ 400
Deposits with Financial Institutions –			
Checking/Money Market	1,064,698	171,315	1,236,013
Certificate of Deposit	<u>18,800</u>	<u>-</u>	<u>18,800</u>
Total Deposits	<u>1,083,498</u>	<u>171,315</u>	<u>1,254,813</u>
Investments –			
Investment Trust Funds	<u>169,253</u>	<u>-</u>	<u>169,253</u>
	<u>\$ 1,253,151</u>	<u>\$ 171,315</u>	<u>\$1,424,466</u>

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):**

**Custodial Credit Risk – Deposits –**

Act 217 PA 1982, as amended, authorizes the Village to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of June 30, 2005, the carrying amount of the Village deposits is \$1,254,813, and the bank balance is \$1,276,969. Of the bank balance, 222,723 is covered by Federal Depository Insurance, with the remaining \$1,054,186 exposed to credit risk since it is uninsured and uncollateralized.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution it deposits Village Funds with and assesses the level of risk of each institution. The Village uses only those financial institutions with an acceptable estimated risk level as depositories.

The Certificate of Deposit has been reported in the financial statements as an investment because the maturity date is more than three months from the date of acquisition.

**Investments -**

The Village does not have a policy regarding the type of investments or concentration of credit risk; however, Michigan Public Act 20 of 1994, as amended, authorizes the Village to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptances of the United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):**

As of June 30, 2005, the Village has \$169,253 invested in the Cadre Liquid Asset Fund, an external investment pool. The fund was established to mainly invest in government securities. The fund complies with all the requirements of Act 20 of 1994, as amended.

The investment pool has been reported in the financial statements as a cash equivalent because it has the general characteristics of demand deposit accounts in that the Village may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

**NOTE 4 - TAXES:**

The Village property taxes are levied each July on the assessment valuation of the property in the Village as of the preceding December 31, as adjusted by the March and July Board of Review.

Assessed values are established annually by the respective Village/Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Lexington for the fiscal year 2005 had a taxable value of \$43,336,260. The millage rates levied by the Village were 7.76520 for General Operating, 3.1060 for Municipal Streets, .6210 for Cemetery and .3220 for the Water Tower Debt.

The County of Sanilac has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

**NOTE 5 – RECEIVABLES:**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 16,380	\$ 138,840
Intergovernmental	<u>38,323</u>	<u>-</u>
	<u>\$ 54,703</u>	<u>\$ 138,840</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year there is no deferred revenue.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:**

Interfund receivable and payable balances described as Due From and Due To Other Funds on the Balance Sheet reflect amounts due or owed to a particular fund by another fund of the Village. These amounts include only short-term obligations on open accounts, and not current portions of long-term loans. A summary of these balances by fund type at June 30, 2005, is as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Primary Government:</b>		
<b>Due To/From Other Funds -</b>		
General Fund -		
Enterprise Funds -		
Water Fund	\$ 118,287	\$ -
Special Revenue Funds -		
Major Street Fund -		
Water Fund	77,000	-
Local Street Fund	789	-
Local Street Fund		
Major Street Fund	-	789
Enterprise Funds -		
Mobile Home Park -		
Water Fund	6,000	-
Sewer Fund -		
Water Fund	160,556	-
Water Fund -		
General Fund	-	118,287
Major Street Fund	-	77,000
Mobile Home Park	-	6,000
Sewer Fund	<u>-</u>	<u>160,556</u>
Total Due To/From Other Funds	<u>\$ 362,632</u>	<u>\$ 362,632</u>

Interfund transfers for the year ended June 30, 2005 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Equipment	Mobile Home Park	\$ 100,000
Local Street	Major Street <u>11,714</u>	
		<u>\$ 111,714</u>

Transfers from component units:

General Fund	DDA	<u>\$ 17,142</u>
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**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 7 – CAPITAL ASSETS:**

**Primary Government**

Capital asset activity of the primary government for the year ended June 30, 2005 was as follows:

	July 1, 2004			June 30, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 28,006	\$ -	\$ -	\$ 28,006
Total capital assets, not being depreciated	<u>28,006</u>	<u>-</u>	<u>-</u>	<u>28,006</u>
Capital assets, being depreciated:				
Buildings and improvements	346,026	-	-	346,026
Improvement other than buildings	114,048	69,338	-	183,386
Machinery and equipment	57,452	129,282	-	186,734
Vehicles	442,415	30,777	32,498	440,694
Total capital assets being depreciated	<u>959,941</u>	<u>229,397</u>	<u>32,498</u>	<u>1,156,840</u>
Less accumulated depreciation for:				
Buildings and improvements	238,014	6,481	-	244,495
Improvements other than buildings	29,518	8,949	-	38,467
Machinery and equipment	17,865	17,155	-	35,020
Vehicles	268,157	39,619	30,100	277,676
Total accumulated depreciation	<u>553,554</u>	<u>72,204</u>	<u>30,100</u>	<u>595,658</u>
Total capital assets being depreciated, net	<u>406,387</u>	<u>157,193</u>	<u>2,398</u>	<u>561,182</u>
Governmental activities capital assets, net	<u>\$ 434,393</u>	<u>\$ 157,193</u>	<u>\$ 2,398</u>	<u>\$ 589,188</u>
<b>Business Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 17,495	\$ -	\$ -	\$ 17,495
Construction in progress	13,980	108,121	-	122,101
	<u>31,475</u>	<u>108,121</u>	<u>-</u>	<u>139,596</u>
Capital assets, being depreciated:				
Buildings and improvements	49,889	-	-	49,889
Mobile Home Park	2,628,576	16,872	( 800)	2,644,648
Utility Systems	9,816,545	-	( 3,733)	9,812,812
Machinery and equipment	150,397	-	-	150,397
Total capital assets being depreciated	<u>12,645,407</u>	<u>16,872</u>	<u>( 4,533)</u>	<u>12,657,746</u>
Less accumulated depreciation for:				
Buildings and improvements	13,197	2,829	-	16,026
Mobile Home Park	462,309	64,365	800	525,874
Utility Systems	1,992,729	242,914	3,733	2,231,910
Machinery and equipment	94,089	13,654	-	107,743
Total accumulated depreciation	<u>2,562,324</u>	<u>323,762</u>	<u>4,533</u>	<u>2,881,553</u>
Total capital assets being depreciated, net	<u>10,083,083</u>	<u>( 310,623)</u>	<u>-</u>	<u>9,772,460</u>
Business activities capital assets, net	<u>\$ 10,114,558</u>	<u>\$( 198,769)</u>	<u>\$ -</u>	<u>\$ 9,912,054</u>

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 7 – CAPITAL ASSETS – (cont'd):**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 10,841
Public Safety	33,332
Public Works	23,958
Recreation and Cultural	<u>4,073</u>
Total depreciation expense-governmental activities	<u>\$ 72,204</u>
Business-type activities:	
Sewer	\$ 31,356
Water	227,252
Mobile Home Park	<u>68,887</u>
Total depreciation expense-business-type activities	<u>\$ 327,495</u>

**NOTE 8 – LONG-TERM LIABILITIES:**

**PRIMARY GOVERNMENT -**

The following is a summary of changes in the long-term liabilities (including current portions) of the Primary Government for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds -					
Installment purchase	\$ 53,000	\$ -	\$ 9,000	\$ 44,000	\$ 11,000
Capital lease payable	144,000	-	6,400	137,600	6,400
Accrued sick and vacation	<u>34,571</u>	<u>4,804</u>	<u>-</u>	<u>39,375</u>	<u>-</u>
Total Governmental Funds	<u>231,571</u>	<u>4,804</u>	<u>15,400</u>	<u>220,975</u>	<u>17,400</u>
<u>Business-type Activities:</u>					
2002 Promissory Note (MHP)	1,146,661	-	60,351	1,086,310	60,351
1994 General Obligation Unlimited Tax (Water Tower)	70,000	-	10,000	60,000	10,000
1996 General Obligation Unlimited Tax (Mobile Home Park)	715,000	-	50,000	665,000	50,000
1999 WSS Bonds/Contracts Payable	1,725,000	-	50,000	1,675,000	50,000
2003 Promissory Note (Water)	1,229,643	-	49,486	1,180,157	49,486
Note payable (Water)	46,409	-	11,000	35,409	12,000
Accrued sick and vacation	<u>28,982</u>	<u>4,163</u>	<u>-</u>	<u>33,145</u>	<u>-</u>
Total Business-Type Activities	<u>4,961,695</u>	<u>4,163</u>	<u>230,837</u>	<u>4,735,021</u>	<u>231,837</u>
	<u>\$ 5,193,266</u>	<u>\$ 8,967</u>	<u>\$ 246,237</u>	<u>\$ 4,955,996</u>	<u>\$ 249,237</u>

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 8 – LONG-TERM LIABILITIES – (cont'd):**

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

**Installment Purchase:**

The Village purchased a fire truck on February 1, 1998. Annual payments range from \$10,000 to \$12,000 with interest of 2.5 percent payable semi-annually.

\$ 44,000

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 11,000	\$ 1,983
2007	10,000	1,442
2008	11,000	901
2009	<u>12,000</u>	<u>309</u>
	<u>\$ 44,000</u>	<u>\$ 4,635</u>

**Capital Lease Payable:**

The Village entered into a long-term lease agreement with the Village of Lexington's building authority. See Note 9 for additional information.

\$ 137,600

**Accrued Vacation and Sick Pay:**

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The dollar amount of these vested rights has been accrued on the financial statements.

\$ 72,520

**1994 General Obligation Water System Unlimited Tax Bonds:**

The \$130,000 1994 General Obligation Water System Unlimited Tax Bonds, dated March 1, 1994, were issued for construction of a new water storage tank. Annual principal payments range from \$10,000 to \$15,000 through October 1, 2009, with interest ranging from 5.85 to 6.15 percent payable semi-annually.

\$ 60,000

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 8 - LONG-TERM LIABILITIES - (cont'd):**

**1996 General Obligation Unlimited Tax Bonds:**

The \$995,000 1996 General Obligation Unlimited Tax Bonds, dated March 1, 1996, were issued for public improvements at the Village's campground and mobile home park. Annual principal payments range from \$50,000 to \$65,000 through October 1, 2015, with interest ranging from 4.60 to 5.35 percent payable semi-annually.

\$ 665,000

**Water Fund Contracts Payable -**

Pursuant to provisions of Act 185, Public Acts of Michigan, 1957, as amended, the Village of Lexington and other applicable municipalities and the County of Sanilac have entered into contracts whereby the Village has agreed to pay the County annual installments to retire the Village's portion of a bond issue, plus interest. In order to pay such amounts to the County, the Village is obligated to the extent necessary, to levy ad valorem taxes without limitation as to the rate or amount on all taxable property. It is the intention of the Village Council to pay the Village's portion of the obligation from tax levies, debt retirement charges and operating revenue.

The Village upgraded and made various improvements to its Water system. In order to finance the cost of the improvements the Sanilac County Department of Public Works has participated in the Drinking Water Revolving Fund through which the Department of Environmental Quality Bonds, dated September 30, 1999, have been sold in the amount of \$1,904,339. The Village makes the debt service payments directly to the State of Michigan.

\$ 1,675,000

Year	1994 General Obligation Bond		1996 General Obligation Bond		Drinking Water Revolving Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 10,000	\$ 3,340	\$ 50,000	\$ 32,950	\$ 50,000	\$ 41,250
2007	10,000	2,742	55,000	30,495	50,000	40,000
2008	10,000	2,140	55,000	27,869	50,000	38,750
2009	15,000	1,380	60,000	25,036	55,000	37,438
2010	15,000	461	60,000	22,006	55,000	36,062
2011-2015	-	-	255,000	55,414	290,000	159,126
2016-2020	-	-	130,000	6,956	330,000	120,250
2021-2025	-	-	-	-	375,000	76,438
2026-2030	-	-	-	-	420,000	26,875
	<u>\$ 60,000</u>	<u>\$ 10,063</u>	<u>\$ 665,000</u>	<u>\$ 200,726</u>	<u>\$1,675,000</u>	<u>\$ 576,189</u>



**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 8 - LONG-TERM LIABILITIES - (cont'd):**

**SDS and WSS Revenue Bonds Refinanced:**

In August 2002 the Village of Lexington refinanced its 1996 SDS Revenue Bond of \$600,000 and its 1996 WSS Revenue Bond of \$586,000 for constructing additions and improvements to the mobile home park with a promissory note. The principal refinanced was \$1,207,011 at an interest rate of 5.30%, due semi-annually. Principal payments are due annually starting September 1, 2003, in the amount of \$60,350.

\$ 1,086,310

**SDS and WSS Revenue Bonds Refinanced –**

In August 2003 the Village of Lexington refinanced its 1984 SDS Revenue Bond of \$540,000, 1993 A WSS Revenue Bonds of \$95,000 and 1993 B WSS Revenue Bonds of \$755,000 for constructing and improvements to the sewer and water system with a promissory note. The principal refinanced was \$1,229,643 at an interest rate of 4.25%, due semi-annually. Principal payments are due annually starting September 1, 2004, in the amount of \$49,186.

\$ 1,180,457

**Water Fund Notes Payable -**

The \$126,000 note payable dated July 16, 1993 was issued for water system improvements; annual principal payments range from \$11,409 to \$12,000 with interest of 5.70 percent payable semi-annually.

\$ 35,409

The annual requirements to amortize long-term liabilities outstanding at June 30, 2004:

Year	2002 Promissory Note		2003 Promissory Note		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 60,350	\$ 55,975	\$ 49,486	\$ 49,796	\$ 12,000	\$ 2,042
2007	60,351	52,777	49,486	47,664	12,000	1,350
2008	60,350	49,578	49,486	45,653	11,409	650
2009	60,351	46,379	49,486	43,399	-	-
2010	60,350	43,181	49,486	41,267	-	-
2011-2014	241,403	140,747	197,944	143,840	-	-
2015-2019	301,753	103,954	247,430	131,775	-	-
2020-2024	241,402	25,589	247,430	78,472	-	-
2025-2029	-	-	239,923	25,247	-	-
	<u>\$1,086,310</u>	<u>\$ 518,180</u>	<u>\$1,180,157</u>	<u>\$ 607,113</u>	<u>\$ 35,409</u>	<u>\$ 4,042</u>

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 9 – BUILDING AUTHORITY LEASE PAYABLE:**

The Village entered into a lease agreement with the Village of Lexington Building Authority to help finance the payment of debt and maintenance on the building. Upon retirement of the debt, title of the building will transfer to both the Village and the Township of Lexington as tenants in common reflecting an 80%, 20% interest, respectively. In accordance with FASB Statement 13, the building (80%) is recorded in the financial statements of the Village.

Future minimum lease payments of the Village's portion of the debt owed on the building are as follows:

Year Ended	
<u>June 30,</u>	
2006	13,280
2007	12,960
2008	13,440
2009	13,080
2010-2020	<u>145,960</u>
	198,720
Less – interest	<u>( 61,120)</u>
Long-Term Lease Payable	<u>\$ 137,600</u>

Following is a summary of the Government-Wide Statement of Net Assets and Government-Wide Statement of Activities of the Village of Lexington Building Authority as of and for the fiscal year ended June 30, 2005:

Assets	\$ 231,648
Liabilities	<u>\$ 772,348</u>
Net Assets	<u>\$ 59,300</u>
Revenues	\$ 45,875
Expenditures	<u>( 72,809)</u>
Excess of revenues expenditures	<u>\$ 26,934</u>

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - EMPLOYEE PENSION PLAN:**

**Plan Description -**

The Village of Lexington participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

**Funding Policy -**

The plan adopted by the Village Council requires a 5% member contribution. The Village is required to contribute at an actuarially determined rate, which is 7.71% for fiscal 2005. The contribution requirements of plan members and the Village are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

**Annual Pension Costs -**

For fiscal 2005, the Village's annual pension cost of \$31,944 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2000 and 2001 actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 4.5% per year annually attributable to inflation (c) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on an age related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years for positive unfunded liabilities and 10 years for negative unfunded liabilities, with these periods reestablished with each actuarial valuation.

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 10 - EMPLOYEE PENSION PLAN – (cont'd):**

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
June 30, 2003	\$ 34,423	100 %	\$ -
June 30, 2004	31,944	100	-
June 30, 2005			

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2002	\$ 546,827	\$ 873,390	\$ 326,563	63 %	\$ 436,898	75 %
2003	643,499	1,006,698	363,199	64	495,791	73
2004	732,395	1,234,866	502,471	59	478,298	105

**NOTE 11 - POST RETIREMENT BENEFITS:**

In addition to the pension benefits described in Note 11, the Village of Lexington provides post-retirement health care to all employees who retire from the Village on or after attaining age 55 with at least 25 years of continuous service. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis. For the fiscal year ended June 30, 2005, these costs amounted to approximately \$22,934 with two eligible participants.

**NOTE 12 - RESERVED FUND BALANCE:**

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all Village funds at June 30, 2005:

Fund Type/Fund	Description	Amount
<b>Primary Government -</b>		
General Fund	Prepaid Expenditures	\$ 36,951
	Metro Authority	7,689
		<u>44,640</u>
Other Governmental Funds	Prepaid Expenditures	<u>546</u>
		<u>\$ 45,186</u>

**VILLAGE OF LEXINGTON, MICHIGAN**  
**Sanilac County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 13 – RESTRICTED NET ASSETS:**

**Primary Government –**

Governmental Activities	Metro Authority	<u>7,689</u>
	Street Funds	
	Municipal Street	224,496
	Major Street	210,189
	Local Street	83,935
	County Road	<u>311,300</u>
		<u>829,920</u>
Business-Type Activities -	Meter Deposits	<u>10,921</u>
Total Governmental Activities		<u>\$ 837,609</u>

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS:**

**Governmental Funds:**

A prior period adjustment of \$14,338 was made in the General Fund to recognize nonexchange state shared revenues collected within 60 days, therefore increasing fund balance as reported at June 30, 2004 from \$238,815 to \$253,153.

A prior period adjustment of \$50,256 was made to the Library Fund, a blended component unit, which became a District Library on January 1, 2004, resulting in the net equity being removed from the Village's records, therefore reducing fund balance as reported at June 30, 2004 for other government funds from \$910,163 to \$859,907.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 299,973	\$ 299,973	\$ 304,016	\$ 4,043
Intergovernmental - State	84,412	86,977	89,102	2,125
Charges for services	151,080	151,080	230,449	79,369
Fines and forfeits	1,500	6,444	3,033	( 3,411)
Interest and rents	10,670	10,670	11,433	763
Other	113,000	113,000	30,287	( 82,713)
Total Revenues	<u>660,635</u>	<u>668,144</u>	<u>668,320</u>	<u>176</u>
<b>Expenditures:</b>				
Current -				
General Government	105,648	108,492	97,873	10,619
Public Safety	327,472	341,842	335,618	6,224
Public Works	16,559	34,559	34,434	125
Recreation and Culture	22,141	22,141	20,983	1,158
Other	183,377	169,442	163,990	5,452
Debt Service				
Principal	15,400	15,400	15,400	-
Interest	9,798	9,798	9,798	-
Total Expenditures	<u>680,395</u>	<u>701,674</u>	<u>678,096</u>	<u>23,578</u>
Excess of revenues over (under) expenditures	( 19,760)	( 33,530)	( 9,776)	23,754
<b>Other Financing Sources (Uses):</b>				
Transfers from component unit	<u>20,000</u>	<u>35,000</u>	<u>17,142</u>	<u>( 17,858)</u>
Net change in Fund Balance	<u>240</u>	<u>1,470</u>	<u>7,366</u>	<u>5,896</u>
Fund Balance at beginning of year	238,815	238,815	238,815	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>14,338</u>	<u>14,338</u>
Fund Balance at beginning of year as restated	<u>238,815</u>	<u>238,815</u>	<u>253,153</u>	<u>14,338</u>
Fund Balance at end of year	<u>\$ 239,055</u>	<u>\$ 240,285</u>	<u>\$ 260,519</u>	<u>\$ 20,234</u>

# VILLAGE OF LEXINGTON, MICHIGAN

## DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 299,973	\$ 299,973	\$ 304,016	\$ 4,043
Intergovernmental -				
State	84,412	86,977	89,102	2,125
Charges for services	151,080	151,080	230,449	79,369
Fines and forfeits	1,500	6,444	3,033	( 3,411)
Interest and rents	10,670	10,670	11,433	763
Other	113,000	113,000	30,287	( 82,713)
	<u>660,635</u>	<u>668,144</u>	<u>668,320</u>	<u>176</u>
<b>Expenditures:</b>				
General Government -				
Village council	13,949	13,949	12,721	1,228
Village manager	91,003	95,743	94,103	1,640
Village clerk	33,296	33,296	34,258	( 962)
Administrative services	139,220	139,220	128,611	10,609
	<u>277,468</u>	<u>282,208</u>	<u>269,693</u>	<u>12,515</u>
Less: Reimbursement from other funds	<u>( 171,820)</u>	<u>( 173,716)</u>	<u>( 171,820)</u>	<u>( 1,896)</u>
Total General Government	<u>105,648</u>	<u>108,492</u>	<u>97,873</u>	<u>10,619</u>
Public Safety -				
Fire department	113,256	122,682	126,546	( 3,864)
Police department	214,216	219,160	209,072	10,088
Total Public Safety	<u>327,472</u>	<u>341,842</u>	<u>335,618</u>	<u>6,224</u>
Public Works -				
Department of public works	200,100	218,100	206,426	11,674
Less: Reimbursement from other funds	<u>( 183,541)</u>	<u>( 183,541)</u>	<u>( 171,992)</u>	<u>( 11,549)</u>
Total Public Works	<u>16,559</u>	<u>34,559</u>	<u>34,434</u>	<u>125</u>

Continued



# VILLAGE OF LEXINGTON, MICHIGAN

## DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreation and Culture - Parks and recreation	<u>\$ 22,141</u>	<u>\$ 22,141</u>	<u>\$ 20,983</u>	<u>\$ 1,158</u>
Other - Municipal programs	<u>183,377</u>	<u>169,442</u>	<u>163,990</u>	<u>5,452</u>
Debt Service - Principal	15,400	15,400	15,400	-
Interest	<u>9,798</u>	<u>9,798</u>	<u>9,798</u>	<u>-</u>
	<u>25,198</u>	<u>25,198</u>	<u>25,198</u>	<u>-</u>
Total Expenditures	<u>680,395</u>	<u>701,674</u>	<u>678,096</u>	<u>23,578</u>
Excess of revenues over (under) expenditures	<u>( 19,760)</u>	<u>( 33,530)</u>	<u>( 9,776)</u>	<u>23,754</u>
<b>Other Financing Sources:</b>				
Transfers from component unit	<u>-</u>	<u>-</u>	<u>17,142</u>	<u>17,142</u>
Net change in Fund Balance	<u>( 19,760)</u>	<u>( 33,530)</u>	<u>7,366</u>	<u>40,896</u>
Fund Balance at beginning of year	238,815	238,815	238,815	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>14,338</u>	<u>14,338</u>
Fund Balance at beginning of year as restated	<u>238,815</u>	<u>238,815</u>	<u>253,153</u>	<u>14,338</u>
Fund Balance at end of year	<u>\$ 219,055</u>	<u>\$ 205,285</u>	<u>\$ 260,519</u>	<u>\$ 55,234</u>

Concluded

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - MUNICIPAL STREET FUND FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 117,937	\$ 117,937	\$ 119,520	\$ 1,583
Interest	1,252	1,252	3,796	2,544
Total Revenues	<u>119,189</u>	<u>119,189</u>	<u>123,316</u>	<u>4,127</u>
<b>Expenditures:</b>				
Public Works -				
Administrative fees	8,939	8,939	8,939	-
Other	10,250	10,250	-	10,250
Total Expenditures	<u>19,189</u>	<u>19,189</u>	<u>8,939</u>	<u>10,250</u>
Excess of revenues over expenditures	100,000	100,000	114,377	14,377
<b>Other Financing Uses:</b>				
Transfers out	<u>(100,000)</u>	<u>( 100,000)</u>	<u>-</u>	<u>( 100,000)</u>
Net change in Fund Balance	-	-	114,377	114,377
Fund Balance at beginning of year	<u>110,119</u>	<u>110,119</u>	<u>110,119</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 110,119</u></u>	<u><u>\$ 110,119</u></u>	<u><u>\$ 224,496</u></u>	<u><u>\$ 114,377</u></u>

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - CAPITAL EQUIPMENT FUND FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental-				
Fire Equipment Grant	\$ -	\$ 74,516	\$ 74,516	\$ -
Interest	-	-	535	535
Total Revenues	<u>-</u>	<u>74,516</u>	<u>75,051</u>	<u>535</u>
<b>Expenditures:</b>				
General Government-				
Capital Outlay	-	6,066	893	5,173
Public Safety-				
Capital Outlay	6,000	88,796	82,795	6,001
Public Works-				
Capital Outlay	55,000	59,888	60,256	( 368)
Total Expenditures	<u>61,000</u>	<u>154,750</u>	<u>143,944</u>	<u>10,806</u>
Excess of revenues over expenditures	( 61,000)	( 80,234)	( 68,893)	11,341
<b>Other Financing Uses:</b>				
Transfers in	100,000	100,000	100,000	
Transfers out	( 22,000)	( 22,000)	-	22,000
	<u>78,000</u>	<u>78,000</u>	<u>100,000</u>	<u>22,000</u>
Net change in Fund Balance	17,000	(2,234)	31,107	33,341
Fund Balance at beginning of year	<u>17,917</u>	<u>17,917</u>	<u>17,917</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 34,917</u>	<u>\$ 15,683</u>	<u>\$ 49,024</u>	<u>\$ 33,341</u>

## **SUPPLEMENTARY INFORMATION**

# VILLAGE OF LEXINGTON, MICHIGAN

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2005

	Special Revenue Funds			
	Major Street	Local Street	County Road	Cemetery
<b>ASSETS</b>				
Cash and cash equivalents	\$ 128,637	\$ 80,707	\$ 311,300	\$ 72,327
Investments	-	-	-	18,800
Receivables -				
State	6,829	4,553	-	-
Accounts	164	-	-	75
Due from other funds	77,000	788	-	-
Prepaid expenditures and deposits	-	-	-	382
Total Assets	<u>\$ 212,630</u>	<u>\$ 86,048</u>	<u>\$ 311,300</u>	<u>\$ 91,584</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,653	\$ 2,113	\$ -	\$ 747
Accrued liabilities	-	-	-	185
Due to other funds	788	-	-	-
Total Liabilities	<u>2,441</u>	<u>2,113</u>	<u>-</u>	<u>932</u>
<b>Fund Balance:</b>				
Reserved -				
Prepays	-	-	-	382
Unreserved -				
Undesignated	210,189	83,935	311,300	90,270
Total Fund Balance	<u>210,189</u>	<u>83,935</u>	<u>311,300</u>	<u>90,652</u>
Total Liabilities and Fund Balance	<u>\$ 212,630</u>	<u>\$ 86,048</u>	<u>\$ 311,300</u>	<u>\$ 91,584</u>

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<u>Library</u>	<u>Total</u>
\$ -	\$ 592,971
-	18,800
-	11,382
-	239
-	77,788
-	382
<u>\$ -</u>	<u>701,562</u>

\$ -	\$ 4,513
-	185
-	788
<u>-</u>	<u>5,486</u>

-	382
-	695,694
-	696,076
<u>\$ -</u>	<u>701,562</u>

# VILLAGE OF LEXINGTON, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			
	Major Street	Local Street	County Road	Cemetery
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 73,844	\$ 23,891
Intergovernmental -				
State	46,856	23,507	-	-
Fire Equipment Grant	-	-	-	-
Sale of lots / Internment fees	-	-	-	11,500
Interest	2,769	-	4,969	1,756
Other	-	3,187	-	-
	<u>49,625</u>	<u>26,694</u>	<u>78,813</u>	<u>37,147</u>
<b>Expenditures:</b>				
Current -				
General Government	-	-	-	34,848
Public Safety	-	-	-	-
Public Works	80,824	73,627	38,775	-
	<u>80,824</u>	<u>73,627</u>	<u>38,775</u>	<u>34,848</u>
Excess of revenues over (under) expenditures	<u>( 31,199)</u>	<u>( 46,933)</u>	<u>40,038</u>	<u>2,299</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	11,714	-	-
Transfers out	( 11,714)	-	-	-
Total Other Financing Sources (Uses)	<u>( 11,714)</u>	<u>11,714</u>	<u>-</u>	<u>-</u>
Net change in Fund Balances	<u>( 42,913)</u>	<u>( 35,219)</u>	<u>40,038</u>	<u>2,299</u>
Fund Balances at beginning of year	253,102	119,154	271,262	88,353
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances at beginning of year as restated	<u>253,102</u>	<u>119,154</u>	<u>271,262</u>	<u>88,353</u>
Fund Balances at end of year	<u>\$ 210,189</u>	<u>\$ 83,935</u>	<u>\$ 311,300</u>	<u>\$ 90,652</u>

<u>Library</u>	<u>Total</u>
\$ -	\$ 97,735
-	70,363
-	-
-	11,500
-	9,494
-	3,187
-	<u>192,279</u>
-	34,848
-	-
-	<u>193,226</u>
-	<u>228,074</u>
-	<u>( 35,795)</u>
-	11,714
-	<u>( 11,714)</u>
-	<u>-</u>
-	<u>( 35,795)</u>
50,256	782,127
<u>( 50,256)</u>	<u>( 50,256)</u>
-	<u>731,871</u>
<u>\$ -</u>	<u>\$ 696,076</u>



# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>MAJOR STREET</b>				
<b>Revenues:</b>				
Intergovernmental -				
State	\$ 45,000	\$ 45,000	\$ 46,856	\$ 1,856
Interest	2,000	2,000	2,769	769
Total Revenues	<u>47,000</u>	<u>47,000</u>	<u>49,625</u>	<u>2,625</u>
<b>Expenditures:</b>				
Public Works -				
Salaries	14,963	14,963	12,825	2,138
Administrative fees	5,446	5,446	5,446	-
Supplies	4,000	4,000	3,514	486
Equipment rental	11,756	11,756	10,246	1,510
Repairs and maintenance	1,000	1,000	1,950	( 950)
Purchased Services	3,500	3,500	9,448	( 5,948)
Utilities	8,500	8,500	11,003	( 2,503)
Other	60	60	-	60
Capital Outlay	26,500	26,500	26,392	108
Total Expenditures	<u>75,725</u>	<u>75,725</u>	<u>80,824</u>	<u>( 5,099)</u>
Excess of revenues over (under) expenditures	( 28,725)	( 28,725)	( 31,199)	( 2,474)
<b>Other Financing Uses:</b>				
Transfers out	<u>(11,250)</u>	<u>( 11,250)</u>	<u>( 11,714)</u>	<u>( 464)</u>
Net change in fund balance	( 39,975)	( 39,975)	( 42,913)	( 2,938)
Fund Balance at beginning of year	<u>253,102</u>	<u>253,102</u>	<u>253,102</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 213,127</u></u>	<u><u>\$ 213,127</u></u>	<u><u>\$ 210,189</u></u>	<u><u>\$( 2,938)</u></u>

Continued

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>LOCAL STREET</b>				
<b>Revenues:</b>				
Intergovernmental -				
State	\$ 32,000	\$ 32,000	\$ 23,507	\$( 8,493)
Other	2,000	2,000	3,187	1,187
Total Revenues	<u>34,000</u>	<u>34,000</u>	<u>26,694</u>	<u>( 7,306)</u>
<b>Expenditures:</b>				
Public Works -				
Salaries	23,320	23,320	23,315	5
Administrative fees	4,471	4,589	4,471	118
Supplies	10,000	10,000	2,786	7,214
Equipment rental	16,743	16,743	18,931	( 2,188)
Repairs and maintenance	-	-	710	( 710)
Utilities	3,000	3,000	-	3,000
Purchase of Services	11,000	11,000	4,790	6,210
Other	48	48	-	48
Capital Outlay	19,000	19,000	18,624	376
Total Expenditures	<u>87,582</u>	<u>87,700</u>	<u>73,627</u>	<u>14,073</u>
Excess of revenues under expenditures	( 53,582)	( 53,700)	( 46,933)	6,767
<b>Other Financing Sources:</b>				
Transfers in	<u>11,250</u>	<u>11,250</u>	<u>11,714</u>	<u>464</u>
Net change in Fund Balance	( 42,332)	( 42,450)	( 35,219)	7,231
Fund Balance at beginning of year	<u>119,154</u>	<u>119,154</u>	<u>119,154</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 76,822</u>	<u>\$ 76,704</u>	<u>\$ 83,935</u>	<u>\$ 7,231</u>

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>COUNTY ROAD</b>				
<b>Revenues:</b>				
County road millage	\$ 69,000	\$ 69,000	\$ 73,844	\$ 4,844
Interest	2,500	2,500	4,969	2,469
Total Revenues	<u>71,500</u>	<u>71,500</u>	<u>78,813</u>	<u>7,313</u>
<b>Expenditures:</b>				
Public Works -				
Salaries	14,962	14,962	12,825	2,137
Administrative fees	7,283	7,402	7,283	119
Supplies	4,000	4,000	-	4,000
Equipment rental	11,756	11,756	10,246	1,510
Utilities	10,500	10,500	7,801	2,699
Maintenance	1,000	1,000	-	1,000
Contracted services	50,000	50,000	620	49,380
Other	48	48	-	48
Total Expenditures	<u>99,549</u>	<u>99,668</u>	<u>38,775</u>	<u>60,893</u>
Net change in Fund Balance	( 28,049)	( 28,168)	40,038	68,206
Fund Balance at beginning of year	<u>271,262</u>	<u>271,262</u>	<u>271,262</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 243,213</u></u>	<u><u>\$ 243,094</u></u>	<u><u>\$ 311,300</u></u>	<u><u>\$ 68,206</u></u>

# VILLAGE OF LEXINGTON, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>CEMETERY</b>				
<b>Revenues:</b>				
Taxes	\$ 23,580	\$ 23,580	\$ 23,891	\$ 311
Charges for services -				
Sale of lots / Internment fees	7,000	7,000	11,500	4,500
Other	2,000	2,000	1,756	( 244)
Total Revenues	<u>32,580</u>	<u>32,580</u>	<u>37,147</u>	<u>4,567</u>
<b>Expenditures:</b>				
General Government -				
Salaries	9,421	12,570	13,811	( 1,241)
Fringe benefits	605	605	683	( 78)
Administrative fees	4,364	4,483	4,364	119
Supplies	1,000	1,000	576	424
Equipment rental	5,290	5,290	5,616	( 326)
Purchase of services	5,960	5,960	8,499	( 2,539)
Repairs and Maintenance	1,650	1,650	145	1,505
Utilities	1,025	1,025	1,039	( 14)
Other	115	115	115	-
Total Expenditures	<u>29,430</u>	<u>32,698</u>	<u>34,848</u>	<u>( 2,150)</u>
Net change in Fund Balance	3,150	( 118)	2,299	2,417
Fund Balance at beginning of year	<u>88,353</u>	<u>88,353</u>	<u>88,353</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 91,503</u></u>	<u><u>\$ 88,235</u></u>	<u><u>\$ 90,652</u></u>	<u><u>\$ 2,417</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the President and Members  
of the Village Council  
Village of Lexington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lexington, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village of Lexington, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether the Village of Lexington, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, and the Council of the Village of Lexington, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

August 4, 2005